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IMPENDLE LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended June 30, 2013

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

General Information

Contact Numbers

033 996 0771

Website

www.impendle.local.gov.za

Mayoral committee

Executive Mayor

HW Cllr S.G. Ndlela

Councillors

C.D. Gwala

S. Mlaba

S.M. Makhaye (resigned in 15 March 2013)

P. Mtolo

K. Dlamini (started in 22 May 2013)

H.T. Zuma

N.G Mvelase

Grading of local authority

Grade 1

Category B

Accounting Officer

S.I. Mabaso

Acting Chief Finance Officer (CFO)

T.G. Pitout (01 May 2012 - 27 February 2013)

S. Ngcobo (28 February 2013 - 30 June 2013)

Registered office

21 Mafahleni Street

Impendle

3227

Business address

21 Mafahleni Street

Impendle

3227

Postal address

Private Bag x512

Impendle

3227

Bankers

Amalgamated Banks of South Africa

Pietermaritzburg Branch

Auditors

Auditor General South Africa

Attorneys

GNG Incorporated

211 Burger Street

Pietermaritzburg

3200

Impendle Local Municipality

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AGSA	Auditor General South Africa
VAT	Value Added Tax

Legislation

The following legislations were taken into account during the preparation of the Financial Statements: Constitution of the Republic of South Africa 1996, Municipal Systems Act 32 of 2000, Municipal Finance Management Act 56 of 2003, Municipal Property Rates Act 6 of 2004, Municipal Structures Act 117 of 1998 and Division of Revenue Act.

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

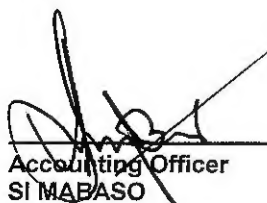
The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2014 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue its operational existence for the foreseeable future.

It is largely dependent on the grant allocations through the Division of Revenue Act (DORA) (2012) for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Impendle Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's chief financial officer.

Auditor General South Africa is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the Auditor General and their report is presented on page 4.

The annual financial statements set out on pages 4 to 39, which have been prepared on the going concern basis, were approved by the accounting officer on August 30, 2013 and were signed on its behalf by:



Accounting Officer
SI MABASO

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Financial Position as at June 30, 2013

Figures in Rand	Note(s)	2013	2012
Assets			
Current Assets			
Receivables from exchange transactions	6	182,291	208,760
VAT receivable	7	623,176	4,183,108
Consumer debtors	8	715,721	477,897
Cash and cash equivalents	9	19,187,897	15,685,329
		20,709,085	20,555,094
Non-Current Assets			
Investment property	3	8,425,000	7,800,000
Property, plant and equipment	4	57,273,886	37,636,151
Intangible assets	5	93,972	250,242
		65,792,858	45,686,393
Total Assets		86,501,943	66,241,487
Liabilities			
Current Liabilities			
Finance lease obligation	10	477,605	401,155
Operating lease liability		127,590	-
Payables from exchange transactions	13	226,662	478,463
Unspent conditional grants and receipts	11	14,808,536	16,740,318
Provisions	12	1,690,153	1,734,407
Bank overdraft	9	169,233	-
		17,499,779	19,354,343
Non-Current Liabilities			
Finance lease obligation	10	529,452	1,051,080
Total Liabilities		18,029,231	20,405,423
Net Assets		68,472,712	45,836,064
Accumulated surplus		68,472,712	45,836,064

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Financial Performance

Figures in Rand	Note(s)	2013	2012
Revenue			
Revenue from exchange transactions			
Service charges	16	21,455	38,570
Rendering of services	15	34,398	28,830
Rental of facilities and equipment	15	138,718	188,407
Licences and permits	15	22,609	24,866
Other income	15	137,379	171,181
Interest received - investment	21	1,568,779	949,059
Total revenue from exchange transactions		1,923,338	1,400,913
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	15	1,340,958	629,360
Transfer revenue			
Government grants & subsidies	16	49,341,009	36,024,119
Fines		22,250	4,925
Total revenue from non-exchange transactions		50,704,217	36,658,404
Total revenue	14	52,627,555	38,059,317
Expenditure			
Salaries and wages	20	12,353,409	11,635,707
Remuneration of councillors	21	1,579,250	1,352,378
Depreciation and amortisation	23	1,901,806	2,026,372
Impairment loss/ Reversal of impairments		4,213,036	-
Finance costs	24	129,106	173,626
Debt debts		16,214	-
Debt impairment		91,440	43,186
Repairs and maintenance		713,178	1,704,247
Contracted services	26	420,289	318,833
Grant funded expenditure	27	5,455,874	1,221,784
General Expenses	19	10,060,567	9,183,550
Total expenditure		36,934,169	27,659,683
Surplus for the year		15,693,386	10,399,634

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2011	34,244,286	34,244,286
Changes in net assets		
Fair value gains, net of tax: Land and buildings	1,192,144	1,192,144
Net income (losses) recognised directly in net assets	1,192,144	1,192,144
Surplus for the year	10,399,634	10,399,634
Total recognised income and expenses for the year	11,591,778	11,591,778
Total changes	11,591,778	11,591,778
Opening balance as previously reported	45,836,064	45,836,064
Correction of errors	6,943,262	6,943,262
Balance at July 01, 2012 as restated	52,779,326	52,779,326
Changes in net assets		
Surplus for the year	15,693,386	15,693,386
Total changes	15,693,386	15,693,386
Balance at June 30, 2013	68,472,712	68,472,712

Note(s)

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Cash Flow Statement

Figures in Rand	Note(s)	2013	2012
Cash flows from operating activities			
Receipts			
Grants and subsidies received		52,352,636	43,024,119
Interest income		1,568,779	949,059
		<u>53,921,415</u>	<u>43,973,178</u>
Payments			
Employee costs		(13,938,175)	(11,987,797)
Suppliers		(16,797,577)	(7,796,451)
Finance costs		(129,106)	(173,626)
		<u>(30,864,858)</u>	<u>(19,957,874)</u>
Net cash flows from operating activities	28	<u>23,056,557</u>	<u>24,015,304</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(20,646,330)	(12,339,397)
Proceeds from sale of property, plant and equipment	4	59,790	-
Purchase of investment property	3	(275,000)	-
Purchase of other intangible assets	5	(235,991)	(93,307)
Proceeds from sale of other intangible assets	5	54,310	-
Non cash items		1,765,177	(543,246)
Net cash flows from investing activities		<u>(19,278,044)</u>	<u>(12,975,950)</u>
Cash flows from financing activities			
Loan (payments) / receipts		<u>(445,178)</u>	<u>(401,154)</u>
Net increase/(decrease) in cash and cash equivalents		3,333,335	10,638,200
Cash and cash equivalents at the beginning of the year		15,685,329	5,047,129
Cash and cash equivalents at the end of the year	9	<u>19,018,664</u>	<u>15,685,329</u>

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of Standards of GRAP.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables or loans and receivables

The municipality assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Useful lives of property, plant and equipment and intangible assets

As described in Accounting Policies 2.3 and 3, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

Provision for Rehabilitation of Refuse Transfer Station

The entity has an obligation to rehabilitate its refuse transfer station. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation.

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.3 Property, plant and equipment (continued)

Item	Average useful life
Buildings	30
Plant and machinery	10 - 15
Furniture and fixtures	10
Motor vehicles	5 - 7
Office equipment	
• Computer hardware	4
• Office machine	3 - 5
IT equipment	3 - 5
Computer software	3 - 5
Infrastructure / Roads	10
Community	
• Sport fields	30
• Security measures 3	3
• Security measures 5	5
Communication equipment	5
Other property, plant and equipment	
• Kitchen equipment	5

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Impendle Local Municipality

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Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.5 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.5 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit dividends or similar distributions and interest.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.5 Financial instruments (continued)

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.7 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.8 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.9 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.10 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.11 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.12 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.13 Presentation of currency

These annual financial statements are presented in South African Rand.

1.14 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.15 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.16 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Accounting Policies

1.17 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

The municipality presents a comparison of the budget amounts and actual amounts as a separate additional financial statement in the financial statements currently presented in accordance with Standards of GRAP.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the standard is not material.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

The effective date of the standard is for years beginning on or after April 01, 2012.

The municipality has adopted the standard for the first time in the 2013 annual financial statements.

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2013 or later periods:

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2. New standards and interpretations (continued)

GRAP 25: Employee benefits

The objective of this standard is to prescribe the accounting and disclosure for employee benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after April 01, 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the amendment is for years beginning on or after April 01, 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

The standard is not relevant to the municipality.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the amendment is for years beginning on or after April 01, 2013.

The municipality expects to adopt the amendment for the first time in the 2014 annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after July 01, 2013 or later periods but are not relevant to its operations:

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 106: Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The impact of this amendment is currently being assessed.

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after April 01, 2010.

The municipality expects to adopt the interpretation for the first time in the 2011 annual financial statements.

3. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8,425,000	-	8,425,000	7,800,000	-	7,800,000

Reconciliation of investment property - 2013

	Opening balance	Newly identified	Fair value adjustments	Total
Investment property	7,800,000	275,000	350,000	8,425,000

Reconciliation of investment property - 2012

	Opening balance	Fair value adjustments	Total
Investment property	6,064,610	1,735,390	7,800,000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Impendle Local Municipality

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3. Investment property (continued)

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	6,907,000	-	6,907,000	3,927,273	-	3,927,273
Buildings	4,457,628	(1,397,787)	3,059,841	4,440,355	(1,249,199)	3,191,156
Plant and machinery	2,835,403	(886,058)	1,949,345	2,827,113	(619,021)	2,208,092
Furniture and fixtures	1,275,569	(587,092)	688,477	1,284,926	(535,179)	749,747
Motor vehicles	765,034	(525,420)	239,614	965,382	(696,571)	268,811
Office equipment	283,271	(213,047)	70,224	271,473	(173,396)	98,077
IT equipment	721,052	(418,516)	302,536	796,425	(403,654)	392,771
Infrastructure	13,789,734	(6,527,521)	7,262,213	8,922,195	(1,800,081)	7,122,114
Community	11,988,578	(663,341)	11,325,237	7,022,653	(426,411)	6,596,242
Security equipment	392,320	(313,964)	78,356	344,428	(214,113)	130,315
Communication equipment	132,467	(126,405)	6,062	128,305	(120,832)	7,473
Assets under construction	25,374,216	-	25,374,216	12,924,691	-	12,924,691
Other kitchen equipment	36,965	(26,200)	10,765	43,899	(24,510)	19,389
Total	68,959,237	(11,685,351)	57,273,886	43,899,118	(6,262,967)	37,636,151

Impendle Local Municipality

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Newly identified	Assets written off	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	3,927,273	-	2,997,000	-	(17,273)	-	-	-	6,907,000
Buildings	3,191,156	-	-	-	17,273	-	(148,588)	-	3,059,841
Plant and machinery	2,208,092	8,290	-	-	-	-	(187,797)	(79,240)	1,949,345
Furniture and fixtures	749,747	69,954	-	(24,854)	-	-	(106,370)	-	688,477
Motor vehicles	268,811	-	-	-	-	-	(29,197)	-	239,614
Office equipment	98,077	18,203	-	(1,148)	-	-	(44,908)	-	70,224
IT equipment	392,771	44,747	-	(32,836)	-	-	(102,147)	-	302,536
Infrastructure	7,122,114	-	-	-	40,602	4,826,938	(594,813)	(4,132,528)	7,262,213
Community	6,596,242	-	-	-	4,965,925	-	(236,930)	-	11,325,237
Security equipment	130,315	47,892	-	-	-	-	(99,851)	-	78,356
Communication equipment	7,473	4,192	-	-	-	-	(5,603)	-	6,062
Assets under construction	12,924,691	17,456,052	-	-	(5,006,527)	-	-	-	25,374,216
Other kitchen equipment	19,389	-	-	(853)	-	-	(7,671)	-	10,765
	37,636,151	17,649,330	2,997,000	(59,790)	-	4,826,938	(1,563,875)	(4,211,868)	57,273,886

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Restated opening balance	Additions	Depreciation	Total
Land	3,927,273	-	-	3,927,273
Buildings	3,558,218	-	(367,062)	3,191,156
Plant and machinery	2,397,409	-	(189,317)	2,208,092
Furniture and fixtures	540,899	238,606	(29,758)	749,747
Motor vehicles	422,861	-	(154,050)	268,811
Office equipment	119,193	24,300	(45,416)	98,077
IT equipment	319,347	238,476	(165,052)	392,771
Infrastructure	7,716,926	-	(594,812)	7,122,114
Community	4,670,738	2,218,170	(292,666)	6,596,242
Security equipment	130,315	-	-	130,315
Communication equipment	34,287	-	(26,814)	7,473
Assets under construction	3,314,405	9,610,286	-	12,924,691
Other property, plant and equipment	17,336	9,559	(7,506)	19,389
	27,169,207	12,339,397	(1,872,453)	37,636,151

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.



Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

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5. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	705,819	(611,847)	93,972	563,135	(312,893)	250,242

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	250,242	235,991	(54,310)	(337,951)	93,972

Reconciliation of intangible assets - 2012

	Restated opening balance	Additions	Amortisation	Total
Computer software	310,848	93,307	(153,913)	250,242

6. Receivables from exchange transactions

Prepayments	-	66,050
Other receivables	123,819	122,696
Staff debtors	58,472	20,014
	182,291	208,760

7. VAT receivable

VAT	623,176	4,183,108
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8. Consumer debtors

Gross balances		
Rates	871,194	541,930
Less: Allowance for impairment		
Rates	(155,473)	(64,033)
Net balance		
Rates	715,721	477,897
Rates		
Current (0 -30 days)	87,497	53,515
31 - 60 days	98,422	45,871
61 - 90 days	115,674	39,004
91 - 120 days	122,548	23,920
121 - 365 days	137,235	18,400
> 365 days	154,345	297,187
	715,721	477,897

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

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8. Consumer debtors (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(64,033)	(20,847)
Contributions to allowance	(91,440)	(43,186)
	(155,473)	(64,033)

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	10,000	10,000
Bank balances	-	13,953,845
Short-term deposits	19,177,897	1,721,484
Bank overdraft	(169,233)	-
	19,018,664	15,685,329
Current assets	19,187,897	15,685,329
Current liabilities	(169,233)	-
	19,018,664	15,685,329

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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9. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances		
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012	
Absa - Account number 407 624 0270	(150,799)	14,031,481	(169,233)	13,953,845	-
Standard Bank - Account number 253 535 751	-	10,756	-	10,756	-
Standard Bank - Account number 636 864 901	239,378	367,441	239,378	367,441	-
Standard Bank - Account number 636 863 484	70,186	122,117	70,186	122,117	-
Standard Bank - Account number 636 863 476	70,573	189,353	70,573	189,354	-
Absa Bank - Account number 207 186 1728	-	377,228	-	377,228	-
First National Bank - Account number 622 484 15607	-	654,588	-	654,588	-
Nedbank - Account number 03788101246300012	1,280,812	-	1,280,812	-	-
Nedbank - Account number 03788101246300011	5,525,287	-	5,525,287	-	-
Nedbank - Account number 03788101246300013	2,444,157	-	2,444,157	-	-
Standard Bank - Account number 258541326 003	1,854,759	-	1,854,759	-	-
Nedbank - Account number 03788101246300015	110,401	-	110,401	-	-
ABSA Bank - Account number 9276248099	289,900	-	289,900	-	-
Nedbank - Account number 03788101246300018	20,907	-	20,907	-	-
Standard Bank - Account number 258541326 002	5,055,796	-	5,055,796	-	-
Nedbank - Account number 03788101246300020	336,235	-	336,235	-	-
ABSA Bank - Account number 9280671957	395,176	-	395,176	-	-
ABSA Bank - Account number 9275397439	5,499	-	5,499	-	-
ABSA Bank - Account number 9276043338	1,478,831	-	1,478,831	-	-
Petty cash	10,000	-	10,000	-	-
Total	19,037,098	15,752,964	19,018,664	15,675,329	-

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
10. Finance lease obligation		
Minimum lease payments due		
- within one year	477,605	401,155
- in second to fifth year inclusive	529,452	1,051,080
Present value of minimum lease payments	1,007,057	1,452,235
 Present value of minimum lease payments due		
- within one year	477,605	401,155
- in second to fifth year inclusive	529,452	1,051,080
	1,007,057	1,452,235
 Non-current liabilities	529,452	1,051,080
Current liabilities	477,605	401,155
	1,007,057	1,452,235

The municipality acquired a loan with Absa bank in August 2010 at a flat rate of 10.3% for a period of five years.

The monthly repayments amount to R47 898.36.

Interest rates are fixed at the contract date. All leases have fixed repayments.

11. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Electrification Grant	6,824,348	4,948,166
Expended Public Work Program Grant	11,767	-
Free Basic Electricity Grant	-	98,602
Housing Fund Grant	380,138	678,911
Milling Grant	2,167,609	4,217,730
Municipal Infrastructure Grant	135,267	2,129,322
Small Town Rehabilitation Grant	4,943,327	4,517,587
Sport and Recreation Grant	100,447	150,000
Thusong Services Centre Grant	245,633	-
	14,808,536	16,740,318

Movement during the year

Balance at the beginning of the year	16,740,318	4,055,470
Additions during the year	26,089,800	29,830,033
Income recognition during the year	(28,021,582)	(17,145,185)
	14,808,536	16,740,318

These amounts are invested in a ring-fenced investment until utilised. Revenue is only recognised from these conditional grants once all conditions relating to expenditure are fulfilled.

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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12. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Utilised during the year	Total
Landfill Site Provision	302,500	-	302,500
Audit Fees	500,000	-	500,000
Leave pay provisions	931,907	(44,254)	887,653
	1,734,407	(44,254)	1,690,153

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Total
Landfill site provision	-	302,500	-	302,500
Audit Fees	400,000	547,784	(447,784)	500,000
Leave pay provisions	586,282	449,173	(103,548)	931,907
	986,282	1,299,457	(551,332)	1,734,407

13. Payables from exchange transactions

Trade payables	64,047	336,667
Accrued expenses	119,770	141,796
Retention	42,845	-
	226,662	478,463

14. Revenue

Rendering of services	34,398	28,830
Service charges	21,455	38,570
Rental of facilities and equipment	138,718	188,407
Licences and permits	22,609	24,866
Other income	137,379	171,181
Interest received - investment	1,568,779	949,059
Property rates	1,340,958	629,360
Government grants and subsidies	49,341,009	36,024,119
Fines	22,250	4,925
	52,627,555	38,059,317

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	21,455	38,570
Rendering of services	34,398	28,830
Rental of facilities and equipment	138,718	188,407
Licences and permits	22,609	24,866
Other income	137,379	171,181
Interest received - investment	1,568,779	949,059
	1,923,338	1,400,913

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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14. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue	1,340,958	629,360
Property rates		
Transfer revenue	49,341,009	36,024,119
Government grants & subsidies	22,250	4,925
Fines		
	<u>50,704,217</u>	<u>36,658,404</u>

15. Property rates

Rates received

Residential property	249,209	75,577
Commercial property	126,776	94,559
Municipal	252,137	152,287
Small holdings and farms	641,123	429,344
Industrial	84,595	17,540
Multi-purpose	32,130	73,768
Less: Income forgone	(25,012)	(213,715)
	<u>1,340,958</u>	<u>629,360</u>

16. Service charges

Refuse removal	21,455	38,570
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Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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17. Government grants and subsidies

Operating grants

Equitable share	21,618,200	18,877,650
Library Grant	341,000	219,533
Expended Public Work Program Grant	988,233	-
Finance Management Grant	1,451,825	1,500,000
Free Basic Electricity Grant	1,236,402	955,748
Sport and Recreation Grant	199,553	-
	<u>25,835,213</u>	<u>21,552,931</u>

Capital grants

Electrification Grant	3,123,818	937,834
Finance Management Grant	48,175	-
Housing Funds	-	81,800
Milling Grant	2,050,121	1,918,612
Municipal Infrastructure Grant	12,755,055	8,960,529
Municipal System Improvement Grant	800,000	790,000
Small Town Rehabilitation Grant	4,574,260	1,782,413
Thusong Centre Grant	154,367	-
	<u>18,283,682</u>	<u>11,532,942</u>
	<u>49,341,009</u>	<u>36,024,119</u>

Equitable Share

In terms of the South African Constitution, this grant is used to subsidise the provision of basic services to indigent community members. During 2010/2011, the municipality had R1 000 000 on Municipal Infrastructure Grant which was withheld by National Treasury during 2012/2013 financial year. This amount was withheld against 2012/2013 equitable share.

Free Basic Electricity Grant

Balance unspent at beginning of year	98,602	-
Current-year receipts	1,137,800	1,054,350
Conditions met - transferred to revenue	(1,236,402)	(955,748)
	<u>-</u>	<u>98,602</u>

Conditions still to be met - remain liabilities (see note 11).

Small Town Rehabilitation Grant

Balance unspent at beginning of year	4,517,587	-
Current-year receipts	5,000,000	6,000,000
Conditions met - transferred to revenue	(4,574,260)	(1,482,413)
	<u>4,943,327</u>	<u>4,517,587</u>

Conditions still to be met - remain liabilities (see note 11).

Housing Fund Grant

Balance unspent at beginning of year	678,911	700,278
Current-year receipts	-	59,683
Conditions met - transferred to revenue	(298,773)	(81,050)
	<u>380,138</u>	<u>678,911</u>

Conditions still to be met - remain liabilities (see note 11).

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
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17. Government grants and subsidies (continued)

Milling Culture Grant

Balance unspent at beginning of year	4,217,730	1,136,342
Current-year receipts	-	5,000,000
Conditions met - transferred to revenue	(2,050,121)	(1,918,612)
	<u>2,167,609</u>	<u>4,217,730</u>

Conditions still to be met - remain liabilities (see note 11).

Municipal Infrastructure Grant

Balance unspent at beginning of year	2,129,322	2,218,851
Current-year receipts	10,761,000	8,871,000
Conditions met - transferred to revenue	(12,755,055)	(8,960,529)
	<u>135,267</u>	<u>2,129,322</u>

Conditions still to be met - remain liabilities (see note 11).

Library Grant

Balance unspent at beginning of year	-	-
Current-year receipts	341,000	219,533
Conditions met - transferred to revenue	(341,000)	(219,533)
	<u>-</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

Electrification Grant

Balance unspent at beginning of year	4,948,166	-
Current-year receipts	5,000,000	5,886,000
Conditions met - transferred to revenue	(3,123,818)	(937,834)
	<u>6,824,348</u>	<u>4,948,166</u>

Conditions still to be met - remain liabilities (see note 11).

Sport and Recreation Grant

Balance unspent at beginning of year	150,000	-
Current-year receipts	150,000	150,000
Conditions met - transferred to revenue	(199,553)	-
	<u>100,447</u>	<u>150,000</u>

Conditions still to be met - remain liabilities (see note 11).

Expended Public Work Program Grant

Current-year receipts	1,000,000	-
Conditions met - transferred to revenue	(988,233)	-
	<u>11,767</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 11).

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
17. Government grants and subsidies (continued)		
Thusong Centre Grant		
Current-year receipts	400,000	-
Conditions met - transferred to revenue	(154,367)	-
	<u>245,633</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
Finance Management Grant		
Current-year receipts	1,500,000	1,500,000
Conditions met - transferred to revenue	(1,500,000)	(1,500,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
Municipal System Improvement Grant		
Current-year receipts	800,000	790,000
Conditions met - transferred to revenue	(800,000)	(790,000)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 11).		
18. Other revenue		
Other income	<u>137,379</u>	<u>171,181</u>

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
19. General expenses		
Advertising	201,595	148,195
Art tourism culture	6,200	93,234
Auditors fees	475,517	447,784
Bank charges	95,092	83,242
Children support	65,570	46,944
Cleaning	27,512	3,171
Conferences and seminars	-	83,643
Consulting and professional fees	127,010	57,485
Consumables	29,807	110,512
Elderly support	35,890	117,611
Electricity	1,678,061	1,268,585
Fuel and oil	488,773	530,331
HIV- Health	115,649	23,000
IDP Review	71,987	242,887
IT expenses	-	298,329
Lease rentals on operating lease	633,757	215,600
LED Business plans and strategy	2,300	7,698
Library projects	-	106,535
Motor vehicle licence fees	10,393	6,822
Other expenses	2,661,206	2,421,281
Poverty alleviation	86,777	55,878
Project management	107,734	207,408
Printing and stationery	252,934	224,115
Protective clothing	113,072	75,994
Provision for leave pay	(44,254)	-
Repairs of landfill site	302,500	302,500
Scrapping loss	114,100	-
Employee Assistant Program	-	31,886
Subscriptions and membership fees	405,550	14,418
Telephone and fax	374,237	516,735
Tourism development	506,730	14,398
Training	481,289	757,826
Travel - local	629,114	667,593
TV licenses	4,465	1,910
	10,060,567	9,183,550

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
20. Employee related costs		
Basic	8,368,385	7,688,044
Bonus	594,256	487,577
Medical aid - company contributions	344,441	223,246
UIF	93,754	58,920
SDL	139,364	107,587
Bargaining Council	4,834	3,262
Post-employment benefits - Pension - Defined contribution plan	887,579	557,721
Overtime payments	137,846	190,036
Housing benefits and allowances	33,522	27,864
Cellphones	202,792	268,100
	10,806,773	9,612,357
Remuneration of municipal manager		
Annual Remuneration	718,963	590,562
Remuneration of chief finance officer		
Annual Remuneration	45,747	420,270
Corporate and human resources (corporate services)		
Annual Remuneration	564,582	506,259
Technical Manager		
Annual Remuneration	217,344	506,259
Total Annual Remuneration	12,234,113	11,635,707
21. Remuneration of councillors		
Major	343,273	265,237
Councillors (All councillors are in the same bracket)	1,235,977	1,087,141
	1,579,250	1,352,378
In-kind benefits		
The Mayor is not full-time. He is provided with an office, cellphone, 3G mordem and a laptop at the cost of the Council.		
The Mayor utilises Council owned vehicle for official duties.		
The Mayor has two full-time mayoral aids sourced from municipal security department .		
22. Investment revenue		
Interest revenue		
Bank	1,503,508	932,220
Interest charged on trade and other receivables	65,271	16,839
	1,568,779	949,059
23. Depreciation and amortisation		
Property, plant and equipment	1,901,806	2,026,372

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand	2013	2012
24. Finance costs		
Non-current borrowings	129,106	173,626
25. Auditors' remuneration		
Fees	475,517	447,784
26. Contracted services		
Specialist Services	420,289	318,833
Contracted services were for services rendered by Chubb, Nashua, Minolta.		
27. Grants funded expenditure		
Grants funded expenditure		
Electrification projects	2,740,191	937,834
Municipal System Improvement Grant	77,100	-
Finance Management Grant	1,486,980	199,000
Housing Ward 2	-	39,750
Housing Ward 3	-	29,550
Housing Ward 4	-	12,500
MIG	36,489	3,150
Expanded Public Works	940,295	-
Sports Facilities Maintenance	174,819	-
	5,455,874	1,221,784
28. Cash generated from operations		
Surplus	15,693,386	10,399,634
Adjustments for:		
Depreciation and amortisation	1,901,806	2,026,372
Impairment deficit	4,213,036	-
Debt impairment	16,214	-
Movements in operating lease assets and accruals	127,590	-
Movements in provisions	(44,254)	748,125
Inventories		
Receivables from exchange transactions	26,469	(27,943)
Consumer debtors	(254,038)	(82,274)
Prepayments	-	(66,050)
Payables from exchange transactions	(251,802)	329,827
VAT	3,559,932	(1,997,235)
Unspent conditional grants and receipts	(1,931,782)	12,684,848
	23,056,557	24,015,304

Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand

	2013	2012
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29. Commitments

Authorised capital expenditure

Approved and contracted - Capital and operating commitments

• Capital programmes	13,967,512	9,514,584
• Operating programmes	1,483,222	1,272,775
	<u>15,450,734</u>	<u>10,787,359</u>

This committed expenditure relates to plant and equipment and will be financed by Municipal Infrastructure Grant and Small Town Rehabilitation Grant.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	540,435	215,600
- in second to fifth year inclusive	942,787	960,400
	<u>1,483,222</u>	<u>1,176,000</u>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

30. Related parties

There were no related party transaction for the financial period.

31. Prior period errors

Property, Plant and Equipment was understated due to omission of land and investment property. The Accumulated depreciation on buildings was overstated. VAT Receivable was overstated due to VAT claims rejected by SARS. Trade and Other Payables were understated due to an omission of an operating lease accrued expense.

The correction of the error(s) results in adjustments as follows:

Statement of financial position		
Property, plant and equipment	4,104,836	-
Value Added Tax Receivable	(1,732,814)	-
Trade and Other Payables	76,512	-
Opening Accumulated Surplus or Deficit	14,981,909	-

32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure in respect of interest and penalties due to late payments	121	64,488
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Impendle Local Municipality

Annual Financial Statements for the year ended June 30, 2013

Notes to the Annual Financial Statements

Figures in Rand		2013	2012
34. Irregular expenditure			
Details of irregular expenditure condoned			
Technical Department Engineers	Condoned by Council		
	Irregular expenditure due to contracted services providers continue to render services after the contract have expired		357,410
Mig Contractor	Irregular expenditure due to contractor awarding a contractor who did not disclose that they are in the employ of the state.		354,440
	Irregular expenditure for the current year		776,386
Irregular expenditure			<u>1,488,236</u>

35. Actual operating expenditure versus budgeted operating expenditure

A comparison of budget amounts and actual amounts are presented as a separate additional Annexure A presented in accordance with GRAP Standards. The Comparison of the budget and actual amounts presents separately each level of legislative oversight: the approval and final budget amounts; the actual amounts on a comparable basis; and by the way the of note disclosure, the explanation between the budget and the actual amounts are documented in Annexure A.

36. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Transport and newspaper advertising were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

IMPENDLE LOCAL MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

Loan Number	Redeemable	Balance at 30 June 2012 RAND	Received during the period RAND	Redeemed written off during the period RAND	Balance at 30 June 2013 RAND	Carrying Value of Property Plant and Equipment RAND	Other Costs In accordance with the MFMA RAND
AMALGAMATED BANKS OF SOUTH AFRICA							
Loan		1 437 893.00		430 836.00	1 007 056.00		
		1 437 893.00	-	430 836.00	1 007 056.00	-	-



IMPENDLE LOCAL MUNICIPALITY

APPENDIX B

JUNE 2013

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

	CURRENT YEAR 2013 ACT. BAL	CURRENT YEAR 2013 ADJUSTED BUDGET	VARIANCE	VAR	EXPLANATION OF SIGNIFICANT VARIANCE GREATER THAN 10% VERSUS BUDGET
REVENUE					
Property Rates	1 344 545.12	1 370 298.00	(25 752.88)	-2%	
Services Charges - Refuse	21 455.34	32 187.00	(10 731.66)	-50%	Unbilled refuse and tariff increment prior year write-off
Rental of facilities and Equipment	138 717.84	191 408.12	(52 690.28)	-38%	Anix Telecommunications liquidation resulting in less collection especially at the Thusong Centre
Fines	22 250.00	3 400.00	18 850.00	85%	Collected more due to road blocks performed by SAPS
Licence and Permits	22 608.94	25 000.00	(2 391.06)	-11%	Taxi owners not renewing permits due to scrapping of old local taxis and others meeting up in accidents
Government Grants	49 341 008.28	64 151 243.85	(14 810 235.57)	-30%	Delays in the implementation of major projects (Electrification, Mill and Small town rehabilitation) resulted in underspending on grants
Interest Received on Investments	1 173 602.96	1 004 290.00	169 312.96	14%	Interest accrued on unspent grants
Other Income	563 367.50	1 440 186.18	(876 818.68)	-156%	Budgeted income comprises of R1,3m set for asset depreciation that has non tangible monetary implications
	52 627 555.98	68 218 013.15	(15 590 457.17)		
Expenses					
Employee Costs	12 234 113.00	12 651 097.73	(416 984.73)	-3%	
Remuneration of councillors	1 579 250.00	1 416 559.55	162 690.45	10%	
Depreciation	1 901 806.00	1 802 000.00	99 806.00	5%	
Impairment loss/Reversal of Impairments	4 213 615.29	4 213 615.29	0	100%	Impairment of assets relating to prior years not budgeted per new GRAP Standard
Finance Costs	129 106.00	574 780.00	(445 674.00)	-345%	Budgeted amount includes capital portion of the loan repayment
Debt Impairment	107 654.00	150 000.00	(42 346.00)	-39%	Debtors impairment per write-off and accounting policy
Repairs and Maintenance	713 178.16	599 276.89	113 901.27	16%	Included are fuel expenses that were paid through R&M vote, these will be separated in future budgets
Contracted Services	420 289.00	522 689.00	(102 400.00)	-24%	Monies relating to operating lease expense transferred to operating expenses
Grants and Subsidies	5 455 874.00	41 376 244.85	(35 920 370.85)	-658%	Operational grant spent and WIP of capital projects transferred to assets, budget figure also relates to capital expenditure
General Expenses	10 060 567.00	9 125 365.13	935 201.87	9%	
	36 815 452.45	68 218 013.15	(31 402 560.70)		
	15 812 103.53		15 812 103.53		

INPENGILE LOCAL MUNICIPALITY

APPENDIX C

BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION) FOR THE YEAR ENDED 30 JUNE 2013

	Budget Adjustments (Lto s28 and s31 of the MFMA)				Shifting of Funds (Lto s31 of the MFMA)	Virement (Lto Council approved Policy)		Final Budget		Actual Income		Unauthorised Expenditure		Variance		Actual Outcome as a% of final budget		Actual Outcome as a% of Original budget		Reported unauthorised budget		Expenditure authorised in terms of section 32 of MFMA		Balance to be recovered		Re-stated Audited Outcome		
	Original Budget		Budget			Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		
	Rand		Rand			Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand
REVENUE - STANDARD																												
Governance and Administration	5 905 000.00		(1 022 000.00)		4 883 000.00			4 883 000.00		4 883 000.00		28 072 255.68		-		-	129.41		179.60									
Executive and Council	15 630 000.00		6 063 000.00		21 693 000.00			21 693 000.00		21 693 000.00		628 514.27		28 072 255.68		7.48		7.86										
Corporate Services	7 992 000.00		409 000.00		8 401 000.00			8 401 000.00		8 401 000.00				628 514.27														
Community and Public Safety	1 935 000.00				1 935 000.00			1 935 000.00		1 935 000.00		3 409 257.64		3 409 257.64				176.19										
Community and Social Services	280 000.00				280 000.00			280 000.00		280 000.00																		
Public Safety																												
Economic and Environmental Services	21 046 000.00		3 043 000.00		24 089 000.00			24 089 000.00		24 089 000.00		20 438 271.19		20 438 271.19				84.85		97.11								
Planning & development	1 238 000.00		5 590 000.00		6 738 000.00			6 738 000.00		6 738 000.00		79 257.22		79 257.22				1.18		6.40								
Road Transport																												
Trading Services																												
Electricity																												
Waste Management																												
Other	200 000.00				200 000.00			200 000.00		200 000.00																		
Tourism																												
Total Revenue - Standard																												
	54 226 000.00		18 992 000.00		68 218 000.00			68 218 000.00		68 218 000.00		52 627 555.60		52 627 555.60														

IMPENDILE LOCAL MUNICIPALITY

APPENDIX D

BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION) FOR THE YEAR ENDING 30 JUNE 2013

	Original Budget Rand	Budgeted Expenditure (i.e. Fixed Adjustments 2012 and 2013 of the MPRSA) Rand	Difference of Funds (i.e. diff of the MPRSA) Rand	Voted (i.e. Council approved Policy) Rand	Fixed Budget Rand	Actual Expenditure Rand	Unauthorised Expenditure Rand	Variance Rand	Actual Outcome as a % of first budget		Actual Outcome as a % of original budget		Expenditure authorised in terms of section 29 of MPRSA		Balance to be recovered		Revised Audited Outcome	
									Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
EXPENDITURE - STANDARD			0															
Governance and Administration	5 995 000.00	(3 182 000.00)	4 723 000.00	4 723 000.00	4 723 000.00	4 707 991.33	4 707 991.33	15 008.67	99.68	99.68	79.96	79.96	4 707 991.33	4 707 991.33	-	-	4 707 991.33	4 707 991.33
Executive and Council	15 650 000.00	2 767 000.00	37 897 000.00	37 897 000.00	37 897 000.00	33 355 963.32	33 355 963.32	4 534 036.68	74.56	74.56	114.56	114.56	33 355 963.32	33 355 963.32	-	-	33 355 963.32	33 355 963.32
Budget and Treasury Office	7 592 000.00	228 000.00	8 270 000.00	8 270 000.00	8 270 000.00	5 186 763.13	5 186 763.13	3 083 236.87	37.28	37.28	104.46	104.46	5 186 763.13	5 186 763.13	-	-	5 186 763.13	5 186 763.13
Corporate Services	1 935 000.00	-	1 935 000.00	1 935 000.00	1 935 000.00	3 896 494.57	3 896 494.57	1 961 494.57	201.37	201.37	500.00	500.00	3 896 494.57	3 896 494.57	-	-	3 896 494.57	3 896 494.57
Community and Public Safety	280 000.00	-	280 000.00	280 000.00	280 000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Safety	21 044 000.00	7 120 000.00	28 164 000.00	28 164 000.00	28 164 000.00	9 017 657.35	9 017 657.35	7 120 000.00	25.29	25.29	113.87	113.87	9 017 657.35	9 017 657.35	-	-	9 017 657.35	9 017 657.35
Recreation and Development	1 238 000.00	-	1 238 000.00	1 238 000.00	1 238 000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	200 000.00	-	200 000.00	200 000.00	200 000.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tourism	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	54 236 000.00	13 992 000.00	68 228 000.00	68 228 000.00	68 228 000.00	35 614 673.00	35 614 673.00	32 613 327.00	52.05	52.05	100.00	100.00	35 614 673.00	35 614 673.00	-	-	35 614 673.00	35 614 673.00

IMPENDLE LOCAL MUNICIPALITY

APPENDIX E
Budget Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	Original Budget Rand	Budget Adjustments (L.t.o s28 and s31 of the MFMA) Rand	Final Adjustments Rand	Shifting of Funds (L.t.o s31 of the MFMA) Rand	Virement (L.t.o Council approved Policy) Rand	Final Budget Rand	Actual Income Rand	Unauthorised Expenditure Rand	Variance Rand	Actual Outcomes as a% of final budget Rand	Actual Outcome as a% of Original budget Rand	Reported unauthorised budget Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
REVENUE BY SOURCE															
Property rates	1 343 000.00	27 000.00	1 370 000.00			1 370 000.00	1 340 958.00		1 340 958.00	97.88		99.85			
Property rates - Penalties & Collection	42 000.00		42 000.00			42 000.00									
Charges															
Service charge - electricity revenue	41 000.00	(9 000.00)	32 000.00			32 000.00	21 455.00		21 455.00	67.05	52.33				
Service charge - refuse revenue	196 000.00	(66 000.00)	130 000.00			130 000.00	138 718.00		138 718.00	106.71	70.77				
Rental of facilities and equipment	400 000.00	544 000.00	944 000.00			944 000.00	1 568 779.00		1 568 779.00	166.18	392.19				
Interest earned - external investments		60 000.00	60 000.00			60 000.00									
Interest earned - outstanding debtors		(3 000.00)	3 000.00			3 000.00	22 250.00		22 250.00	741.67	370.83				
Fines	6 000.00	(4 000.00)	2 000.00			2 000.00	22 609.00		22 609.00	90.44	77.96				
Licences and permits	29 000.00	9 000.00	38 000.00			38 000.00	34 398.00		34 398.00	95.55	127.40				
Agencies Services	27 000.00		27 000.00			27 000.00	49 341 009.00		49 341 009.00	76.91	99.26				
Transfers recognised - operational	49 707 000.00	14 444 000.00	64 151 000.00			64 151 000.00	137 379.00		137 379.00	9.64	5.64				
Other revenue	2 435 000.00	(1 010 000.00)	1 425 000.00			1 425 000.00									
Total Revenue (excluding capital transfers and contributions)	54 226 000.00	13 992 000.00	68 218 000.00			68 218 000.00	52 627 555.00		52 627 555.00						

IMPENDLE LOCAL MUNICIPALITY

APPENDIX E

Budget Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

	Original Budget Rand	Budget Adjustments (i.t.o s28 and s31 of the MFMA) Rand	Final Adjustments Budget Rand	Shifting of Funds (i.t.o s31 of the MFMA) Rand	Virement (i.t.o Council Policy) Rand	Final Budget Rand	Actual Income Rand	Unauthorised Expenditure Rand	Variance Rand	Actual Outcome as a% of final budget Rand	Actual Outcome as a% of Original budget Rand	Reported unauthorised budget Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
REVENUE BY SOURCE															
Property rates	1 545 000.00	27 000.00	1 370 000.00			1 370 000.00	1 340 958.00		1 340 958.00	97.88		99.85			
Property rates - Penalties & Collection	42 000.00		42 000.00			42 000.00									
Charges															
Service charge - electricity revenue	41 000.00	(9 000.00)	32 000.00			32 000.00	21 455.00		21 455.00	67.05		52.33			
Service charge - refuse revenue	196 000.00	(66 000.00)	130 000.00			130 000.00	138 718.00		138 718.00	106.71		70.77			
Rental of facilities and equipment	400 000.00		944 000.00			944 000.00	1 568 779.00		1 568 779.00	166.18		392.19			
Interest earned - external investments		60 000.00	60 000.00			60 000.00									
Interest earned - outstanding debtors		(3 000.00)	3 000.00			3 000.00	22 250.00		22 250.00	741.67		370.83			
Fines	29 000.00	(4 000.00)	25 000.00			25 000.00	22 609.00		22 609.00	90.44		77.96			
Licences and permits	27 000.00	9 000.00	36 000.00			36 000.00	34 398.00		34 398.00	95.55		127.40			
Agencies Services	49 707 000.00	14 444 000.00	64 151 000.00			64 151 000.00	49 341 009.00		49 341 009.00	76.91		99.26			
Transfers recognised - operational	2 435 000.00	(1 010 000.00)	1 425 000.00			1 425 000.00	137 379.00		137 379.00	9.64		5.64			
Other revenue															
Total Revenue (excluding capital transfers and contributions)	54 226 000.00	13 992 000.00	68 218 000.00			68 218 000.00	52 627 555.00		52 627 555.00						

IMPENDIE LOCAL MUNICIPALITY

APPENDIX F

Budget Financial Performance (revenue and expenditure)
for the year ended 30 June 2013

Expenditure By Type	Original Budget Rand	Budget Adjustments (i.e. s28 and s31 of the MFMA) Rand	Final Adjustments Budget Rand	Shifting of funds (i.e. s31 of the MFMA) Rand	Virement (i.e. Council approved) Policy Rand	Fixed Budget Rand	Actual Expenditure Rand	Unauthorised Expenditure Rand	Variance Rand	Actual Outcome as % of final budget Rand	Actual Outcome as % of Original budget Rand	Reported unauthorised budget Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Revised Audited Outcome Rand
Employee related costs	12 093 000.00	1 222 000.00	13 255 000.00	13 255 000.00	-	13 255 000.00	12 294 113.00	12 294 113.00	12 294 113.00	92.30	101.67	101.67	-	-	-
Remuneration of councillors	1 495 000.00	1 495 000.00	1 495 000.00	1 495 000.00	-	1 495 000.00	1 579 250.00	1 579 250.00	1 579 250.00	106.35	106.35	106.35	-	-	-
Debt Impairment	150 000.00	(150 000.00)	-	-	-	-	107 654.00	107 654.00	107 654.00	71.77	71.77	71.77	-	-	-
Impairment loss	1 300 000.00	502 000.00	1 802 000.00	1 802 000.00	-	1 802 000.00	4 213 096.00	4 213 096.00	4 213 096.00	105.54	146.29	146.29	-	-	-
Disposal of asset impairment	575 000.00	-	575 000.00	575 000.00	-	575 000.00	1 901 806.00	1 901 806.00	1 901 806.00	22.45	22.45	22.45	-	-	-
Finance charges	650 000.00	(127 000.00)	523 000.00	523 000.00	-	523 000.00	420 389.00	420 389.00	420 389.00	80.36	64.66	64.66	-	-	-
Contracted services	16 941 000.00	34 237 000.00	50 578 000.00	50 578 000.00	-	50 578 000.00	5 455 874.00	5 455 874.00	5 455 874.00	21.30	65.53	65.53	-	-	-
Transfers and Grants	-	-	-	-	-	-	10 773 745.00	10 773 745.00	10 773 745.00	-	-	-	-	-	-
Other expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	32 534 000.00	35 694 000.00	68 218 000.00	68 218 000.00	-	68 218 000.00	35 814 873.00	35 814 873.00	35 814 873.00	-	-	-	-	-	-
Transfers recognised - capital	21 692 000.00	(21 692 000.00)	-	-	-	-	15 812 682.00	15 812 682.00	15 812 682.00	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	21 692 000.00	(21 692 000.00)	-	-	-	-	15 812 682.00	15 812 682.00	15 812 682.00	-	-	-	-	-	-
Surplus/(Deficit) after taxation	21 692 000.00	(21 692 000.00)	-	-	-	-	15 812 682.00	15 812 682.00	15 812 682.00	-	-	-	-	-	-
Surplus/(Deficit) attributable to municipality	21 692 000.00	(21 692 000.00)	-	-	-	-	15 812 682.00	15 812 682.00	15 812 682.00	-	-	-	-	-	-
Surplus/(Deficit) for the year	21 692 000.00	(21 692 000.00)	-	-	-	-	15 812 682.00	15 812 682.00	15 812 682.00	-	-	-	-	-	-

IMPENDLE LOCAL MUNICIPALITY

APPENDIX G

Budget Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2013

	Original Budget Rand	Budget Adjustments (L to S28 and S31 of the MFMA) Rand	Final Adjustments Budget Rand	Shifting of Funds (L to S31 of the MFMA) Rand	Virement (L to Council approved Policy) Rand	Unauthorised		Actual Outcome as % of final budget Rand	Actual		Expenditure authorised in terms of section 32 of MFMA Rand		Balance to be recovered Rand	Restated Audited Outcome Rand
						Final Budget Rand	Actual Income Rand		Variance Rand	Outcome as % of Original budget Rand	Reported unauthorised budget Rand			
Capital expenditure by - Vote														
Multi - year expenditure	28 284 000.00	12 579 000.00	40 863 000.00			40 863 000.00	22 705 796.00	55.57	80.28	711 850.00	711 850.00	-	-	
Single - year expenditure	21 692 000.00		21 692 000.00			21 692 000.00		-	-	-	-	-	-	